

SOCIAL SECURITY AMENDMENTS OF 1954 (P.L. 761 - 83d CONGRESS)

1. COVERAGE OF CIA EMPLOYEES BY P.L. 761

a. In the recent Congressional amendments to the Social Security Act, provision is made for the coverage (beginning in 1955) of certain Federal employees that were not previously subject to the Act. Since all Federal employees are included under the Social Security program unless they are specifically excluded therefrom, the Congress effected the additional coverage of certain groups of Federal employees by deleting from the law those sections which heretofore specifically excluded them. (See Tab B.) The pertinent categories of employees no longer excluded from the Act are as follows:

- (1) Employees excluded by Executive Order from the operation of the Civil Service Retirement Act because they are paid on a contract or fee basis;
- (2) Employees receiving nominal compensation of \$12 or less per annum.

b. As a consequence, it appears that types of Agency employees mandatorily covered by the new law include consultants and experts, temporary employees, part-time or WAE employees, and Contract Employees. Until the passage of P.L. 761, these categories of employees were not covered by Social Security due to their employment by contract. Although it has been the position of the Office of the General Counsel, as affirmed by contract instrument under the Social Security Law, it now appears that the 1954 Amendments have provided a statutory benefit to these categories of Agency personnel. Employees subject to the Civil Service Retirement Act or the military retirement program are among those specifically excluded from Social Security coverage and, presumably, categories of Agency personnel identifiable as independent contractors remain unaffected by the enactment of P.L. 761.

2. SECURITY AND ADMINISTRATIVE PROBLEMS INVOLVED IN COMPLIANCE WITH P.L. 761

a. The coverage of employees hired on a contract or fee basis or paid a nominal compensation of \$12 or less poses certain security problems which must be solved before 1 January 1955, the effective date of P.L. 761. This circumstance arises from the administrative procedures used for reporting and recording tax payments.

- (1) Since each covered employee is required to have a Social Security Account number, all Agency employees not already in possession of a number would have to obtain one at the time they were initially brought under the system. This is accomplished procedurally by an individual filling out an application form which entails reporting the individual's name, address and organization of

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employment. The application is transmitted from the appropriate field office to the main office in Baltimore where assignment of the number involves action of various people during 15 to 20 steps in processing.

- (2) Social Security taxes on the wages of Federal employees are reported on Form 941, Employee's Quarterly Federal Tax Return, to the Bureau of Internal Revenue. This Form is also used to report income tax withholdings by an employer and a remittance for the sums due is also forwarded to the Bureau. The Agency would be required to report on this Form and attachments the following information on each employee subject to Social Security: Social Security Account number, name and amount of salary subject to withholding during the reporting period. Upon receipt of the quarterly return, the Bureau would detach that part of the Form relating to Social Security taxes and forward it to the Social Security Administration for further processing. The Bureau transmits returns to Baltimore in batches of a certain amount (around a thousand). A cover sheet is prepared showing the collection district, names of employers contained in the particular batch (CIA, ABC Corporation, etc.) and the number of employees and their total earnings, arranged by employer. The individual data on the returns is then posted by punch operators on the separate earnings cards maintained for each employee.

- b. It is obvious from the above description that the reporting requirements and processing procedures create difficult security problems for this Agency. As the result of the 1954 Amendments, information would have to be presented periodically to two outside agencies on the names and affiliations of several hundred Agency employees. Because of the magnitude of the operation at Baltimore, thousands of employees are involved in the assignment of Account numbers, posting of wages and payment of benefits. In addition, the process is probably one of the most highly refined and routinized procedures ever developed and the simplest of transactions, such as posting an employee's quarterly wages, involves many persons and machines. Thus, it appears that the prospects of arranging for the isolated receipt of CIA data by a small segment of cleared personnel are quite limited and would invite attention even if administratively feasible. In this regard, the Agency has no cleared contact with the Social Security Administration and, in the few cases when Social Security taxes have been withheld on temporary employees, it has been done overtly.
- c. Another potential security problem involved in the coverage of large number of Agency employees is the possibility of some individual utilizing the Agency's identification number (each employer has one) as a basis for segregating out of the mass records at Baltimore the names or numbers of Agency personnel.

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- d. The tax reporting procedure complicates the possibility of devising a cover organization in order to report Social Security withholdings. Since Form 941 is a dual Form used to report both total income tax deductions and Social Security withholdings, the Agency would apparently have to recognize the cover organization for income tax purposes as well as for Social Security. This would in effect deny any Agency-employee relationship and could pose potential security problems in maintenance of the cover.

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